

Annual Report
**CANADA NORTHERN POWER
CORPORATION
LIMITED**



Year ended
**DECEMBER THIRTY-FIRST
1937**

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CANADA NORTHERN POWER CORPORATION, LIMITED

Montreal, Que., March 3rd, 1938.

TO THE SHAREHOLDERS:

Your Directors have pleasure in presenting the following report of the operations of your Company for the year ended December 31st, 1937, from which it will be seen that the business of the Company continues in a satisfactory condition.

The comparative statement of operations covering the past five years shows that there has been an increase in both Gross and Net Earnings, notwithstanding the fact that rate reductions to both power and domestic customers were put into effect during the year and the burden of taxation increased.

Regular dividends on the 7% Cumulative Preferred Stock and \$1.20 per share on the no par value Common Stock were paid during the year.

Power Demand The demand for power during the year shows an increase of 54,370,313 kilowatt hours, the total for the year being 649,123,556, while the number of customers served by the Company shows an increase of 2,274 being 19,782 as at December 31st, 1937.

Construction Activities Heavy additions to the demand for power in all the mining areas in Northern Quebec served by the Company required substantial increases in the transformer capacity at each of the substations in those districts. At Blouin Lake the seven 1,000 k.v.a. transformers are being replaced by seven 3,000 k.v.a. transformers, thereby making ample provision for the load supplied from that point, while the number of transformers at Cadillac Substation was increased by four 1,000 k.v.a. transformers. At Noranda three 1,000 k.v.a. transformers were added to that Substation's equipment, while a new substation was installed at Provencher, consisting of four 2,000 k.v.a. transformers, for the purpose of accommodating the growing group of properties in Boischatel Township to the west of Noranda. In Ontario, transformer capacity at Timmins Substation was increased by the substitution of three 1,500 k.v.a. transformers for three of the six 500 k.v.a. transformers formerly in operation. Preparations were also made during the year for the construction of an auxiliary high tension transmission line between Noranda and Blouin Lake.

In addition to the foregoing works, several short 12,000 volt feeders, varying in length from half a mile to five miles, were built in order to supply new mines under development.

New Power Customers The properties of seven new mining customers were connected with the Company's system during 1937, as follows: Payore Gold Mines, Limited, Quebec Manitou Mines, Limited, and Cournor Mining Co., Limited,

in the area to the east of Blouin Lake; Wood Cadillac Mines, Limited, Amm Gold Mines, Limited, and Pandora Cadillac Gold Mines, Limited, in the Cadillac area; and Harricana Amalgamated Gold Mines, Limited, in the Bourlamaque region. In the Malartic district, Sladen Malartic Mines, Limited, has increased its power demand by the installation of a 250 ton mill and further development at the mine; East Malartic Mines, Limited, has under consideration the installation of a 500 ton or 750 ton mill, which will increase its power demand; and there is general activity throughout the entire mining area of Northern Quebec and Ontario.

Franchises In March, 1937, the franchise under which service is maintained in Rouyn, P.Q., was renewed by the Municipal Council, while in November a franchise was secured providing for the establishment and operation of a distribution system at Lorrainville in the Ville Marie agricultural district. In Ontario, at the Municipal elections at the end of the year, the electors of Cobalt, Haileybury, New Liskeard and Englehart approved, by large majorities, of ten-year renewal franchises.

Merchandise Department Sales by the Merchandise Department made a record in 1937, reaching a total of \$251,571, exceeding those of the preceding year by \$65,965, or 35.5%. A retail store was opened in the Town of Rouyn, in March, bringing the total number of stores to eleven, operated by the Company for the benefit of the customers, for the sale of electrical appliances, etc.

Sinking Fund During the year your Company retired \$633,000 of its 5% Bonds through the operation of the Sinking Fund and the sale of some of its securities, making the total retirement of Bonds, to date, \$1,471,500.

Taxation The item of taxation continues to bulk largely in the problems with which your Company has to contend. Each year the amount absorbed under this head increases, making still more apparent the unfair discrimination endured by privately-owned companies and their customers, who are compelled to bear a greater portion of the cost of administering the affairs of the country than do those who are served by publicly-owned institutions. It is pointed out to the shareholders that out of every dollar of gross revenue more than ten and eight-tenth cents (10.8c) were exacted during the year as taxes payable by your Company, amounting to \$538,543, to say nothing of taxes on bondholders' interest and shareholders' dividends.

The substantial and ever-increasing contribution by our customers towards the administration of the country is shown by the following figures for ten years:

Year	Taxes	Net Earnings	Percentage
1928	\$281,576	\$2,198,737	12.8 %
1929	296,351	2,178,420	13.6 %
1930	304,275	2,160,477	14.08 %
1931	335,000	2,280,104	14.70 %
1932	365,191	2,389,081	15.28 %
1933	394,467	2,590,812	15.22 %
1934	437,045	2,712,730	16.1 %
1935	477,955	2,770,678	17.2 %
1936	517,429	2,804,914	18.44 %
1937	538,543	2,901,639	18.5 %

The foregoing figures do not include many miscellaneous taxes, among which are: tax on gasoline, licenses for automobiles and trucks, meter inspection taxes, tax on telephone bills, sales taxes (Federal and Municipal), tax on meals, tax on railway fares, Customs duties, etc.

Rates Further reductions were made in the rates to domestic and commercial customers during the year, and mine power

rates were reduced by \$2.00 per horsepower. Announcement was also made of a further decrease in power rates, amounting to an additional \$4.00 per horsepower, effective January 1st, 1938. Since the close of the fiscal year, December 31st, 1937, announcement has been made of a further reduction in power rates, effective January 1st, 1939, of an additional \$4.00 per horsepower. From that date, the rate per horsepower per month for the first 8,000 horsepower will be \$3.33 net; for the next 3,000 horsepower, \$1.67 net, and for the next 9,000 horsepower, \$1.25 net. These reductions are proving to be of great value to the mining industry and emphasize the fact that the Company is cooperating with the mining companies with a view to stimulating the development in the districts served.

When the item of taxation is taken into consideration, it will be found that the cost of power supplied by the Company is as low as the cost to the users of power furnished by any organization supplying similar service on the continent, as will be seen by a comparison of the total kilowatt hour output with the gross electric revenue of the Company, which shows that we receive seventy-five one hundredths (75/100ths) of a cent per kilowatt hour before considering taxes, and after taxes amounting to \$538,543 are deducted, only sixty-seven one hundredths (67/100ths) of a cent per kilowatt hour.

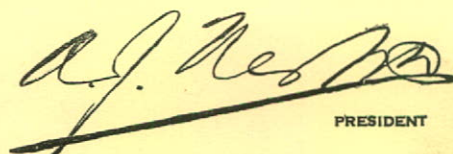
Plants and Properties The high standard of efficiency of the various plants and equipment of the Company has been maintained throughout the year, all being in first-class condition.

Employees Your Directors are pleased to place on record their appreciation of the faithful and loyal service rendered by all employees of the Company.

Mr. Alfred H. Paradis was elected to your Board to fill a vacancy thereon, and the Directors are pleased to welcome another representative interested in the districts served by one of the subsidiaries of your Company.

The Annual General Meeting of the Shareholders of your Company will be held at Room 103, 355 St. James Street West, in the City of Montreal, on Tuesday, the 22nd day of March, 1938, at 3 o'clock in the afternoon.

Respectfully submitted on behalf of the Board.


PRESIDENT

CANADA NORTHERN POWER

AND SUBSIDIARIES

Consolidated Balance Sheet

ASSETS	1937	1936
Plant Investment:		
Properties, Plant and Equipment, Franchises, Organization, etc. (at Cost) less net adjustments arising as a result of consolidation	<u>\$34,736,480.67</u>	<u>\$34,082,295.18</u>
Current Assets:		
Cash on Hand and in Banks.....	\$600,246.95	\$1,576,825.34
Call Loan.....	255,000.00	
Investments—		
Marketable Securities..... \$1,315,956.76 (Market Value \$1,778,550.00)		
Other Investments at book value	413,419.95	
	<u>1,729,376.71</u>	1,318,683.19
Notes Receivable.....	110,000.00	
Accounts Receivable, including accrued revenue.....	543,336.20	526,566.01
Merchandise and Maintenance Supplies—		
Inventories as shown by book records, valued at cost as certified to by responsible officers of the Company. Book records adjusted periodically to agree with Physical Inven- tories	<u>243,721.92</u>	<u>192,512.59</u>
	<u>\$3,481,681.78</u>	<u>\$3,614,587.13</u>
Prepaid and Deferred Charges.....	57,209.31	52,124.59
Bonds of the Corporation purchased in anticipation of Sinking Fund Requirements—Par Value.....	121,000.00	75,500.00
Approved on behalf of the Board:		
A. J. NESBITT JAS. B. WOODYATT } Directors.	<u>\$38,396,371.76</u>	<u>\$37,824,506.90</u>

Auditor's
We have made an examination of the books of account of Canada Northern Power
1937, and have obtained all the information and explanations which we have required.
The attached Consolidated Balance Sheet and relative Consolidated Statements
combined financial position of the Companies at 31st December 1937, and the
the information and explanations received by us and as shown by the books of the

Montreal, 15th February, 1938.

R CORPORATION, LIMITED

RY COMPANIES

as at 31st December, 1937

LIABILITIES

	1937	1936
TO THE PUBLIC:		
Funded Debt—		
Collateral Trust 5% Sinking Fund Gold Bonds, Series "A", due 1953.....	\$17,000,000.00	
LESS:		
Redeemed and cancelled by Sinking Fund	1,471,500.00	
	<u>\$15,528,500.00</u>	<u>\$16,161,500.00</u>
Current Liabilities:		
Accounts Payable and Accrued Liabilities....	438,686.05	187,036.85
Provision for Taxes.....	322,817.01	303,645.95
Subsidiary Company Dividends Payable....	21,856.00	22,478.25
Preferred Dividend Payable.....	96,250.00	96,250.00
Common Dividend Payable.....	120,000.00	120,000.00
Bond Interest Accrued.....	128,395.83	134,050.00
Customers' Deposits including interest.....	175,130.41	160,739.74
	<u>1,303,135.30</u>	<u>160,739.74</u>
	16,831,635.30	17,185,700.79
TO THE PUBLIC SHAREHOLDERS OF SUBSIDIARIES:		
Capital Stock:		
6% Cumulative Convertible Preferred Shares of \$100.00 each— (Redeemable at \$110.00 and accrued dividend after 60 days notice).....	1,239,600.00	1,276,700.00
Common Shares of No Par Value.....	200,257.96	204,167.49
Minority Interest in Earned Surplus.....	7,337.68	9,342.22
TO THE SHAREHOLDERS—CANADA NORTHERN POWER CORPORATION, LIMITED:		
Capital Stock:		
7% Cumulative Preferred Shares of \$100.00 each (Redeemable at \$110.00 and accrued dividend after 30 days notice).		
Authorized.....	75,000 shares	
Issued.....	55,000 shares	5,500,000.00
Common Shares of No Par Value:		
Authorized.....	500,000 shares	
Issued.....	400,000 shares	2,148,796.00
Reserves:		
Depreciation.....	10,264,627.59	9,677,073.02
Bad Debts.....	29,867.96	26,054.91
Miscellaneous.....	148,867.76	146,043.92
Surplus—Balance as at 31st December 1937.....	2,025,381.51	1,650,628.55
	<u>\$38,396,371.76</u>	<u>\$37,824,506.90</u>

Report

er Corporation Limited, and its Subsidiaries for the year ended 31st December,
quired.
of Income and Expenditure and Surplus, in our opinion, set forth correctly the
results from operations for the year ended 31st December, 1937, according to
e Companies.

P. S. Ross & Sons,
Chartered Accountants.

CANADA NORTHERN POWER CORPORATION, LIMITED

Consolidated Statement of Income and Expenditure *For the Year Ended 31st December, 1937*

Gross Earnings from Operations.		\$4,945,621.64
DEDUCT:		
Operating Expenses.	\$1,777,467.62	
Directors' Fees.	13,701.00	
Executive Officers' Salaries.	28,609.00	
Legal Fees.	4,306.34	
Provision for Bad Debts.	4,921.36	1,829,005.32
Net Operating Profit before interest, depreciation and income taxes.		3,116,616.32
Income from Investments.		40,808.72
		<u>\$3,157,425.04</u>
DEDUCT:		
Interest on Bonds, including exchange premium.	797,096.94	
Interests on Customers' Deposits.	5,555.85	
Provision for Depreciation.	739,000.00	
Provision for Income Taxes.	259,955.87	1,801,608.66
Net Income for the year transferred to Surplus Account.		<u><u>\$1,355,816.38</u></u>

Consolidated Statement of Surplus *For the Year Ended 31st December, 1937*

Balance at Credit—31st December 1936:		
Earned Surplus Account.		\$1,650,628.55
DEDUCT:		
Adjustments affecting previous financial periods (net).		2,697.32
		<u>\$1,647,931.23</u>
ADD:		
Net Income for the year transferred from Consolidated Statement of Income and Expenditure.	\$1,355,816.38	
LESS:		
Loss from sale of securities—(net).	\$ 750.91	
Premium on Bonds purchased for Sinking Fund.	24,843.44	25,594.35
		<u>1,330,222.03</u>
		<u>\$2,978,153.26</u>
DEDUCT:		
Dividends on—		
Capital Stock of Subsidiaries held by the Public—		
Preferred.	74,545.50	
Common.	13,226.25	
		87,771.75
7% Preferred Stock.	385,000.00	
Common Stock.	480,000.00	952,771.75
Balance at Credit—31st December 1937.		<u><u>\$2,025,381.51</u></u>

Examined and certified in accordance with our attached Report.

P. S. ROSS & SONS,
Chartered Accountants.

Montreal, 15th February, 1938.

CANADA NORTHERN POWER CORPORATION, LIMITED

Consolidated Operating Statement *For Years Ending December 31st*

	1933	1934	1935	1936	1937
Electric Revenue.....	\$3,660,495	\$4,114,792	\$4,350,665	\$4,494,937	\$4,884,548
(#) Miscellaneous Revenue.....	29,789	51,511	67,823	77,880	101,132
Gross Earnings.....	\$3,690,284	\$4,166,303	\$4,418,488	\$4,572,817	\$4,985,680
Purchased Power.....		253,961	428,916	480,179	706,429
Operation.....	594,845	637,981	635,760	656,641	718,311
Maintenance.....	110,160	124,586	105,179	113,654	120,758
Taxes.....	394,467	437,045	477,955	517,429	538,543
	\$1,099,472	\$1,453,573	\$1,647,810	\$1,767,903	\$2,084,041
Net Earnings.....	2,590,812	2,712,730	2,770,678	2,804,914	2,901,639
Bad Debts.....	4,282	4,807	4,530	4,575	4,921
Interest.....	934,561	840,885	824,285	815,885	802,653
	\$ 938,843	\$ 845,692	\$ 828,815	\$ 820,460	\$ 807,574
Surplus for Year.....	1,651,969	1,867,038	1,941,863	1,984,454	2,094,065
(A) Surplus brought forward.....	1,375,174	1,463,818	1,714,609	(c) 1,342,006	1,647,931
	\$3,027,143	\$3,330,856	\$3,656,472	\$3,326,460	\$3,741,996
Preferred Dividends Paid.....	472,960	469,492	463,592	462,520	459,546
Common Dividends Paid.....	356,196	410,650	497,645	493,312	493,226
(B) Minority Interest, adjustment of Surplus.....	131	(B) 2,115	(B) 5,840		
Transferred to Depreciation Reserve.....	720,000	720,000	720,000	720,000	739,000
Premium on Bonds purchased for Sinking Fund.....					24,843
	\$1,549,287	\$1,598,027	\$1,675,397	\$1,675,832	\$1,716,615
Surplus Carried Forward.....	\$1,477,856	\$1,732,829	\$1,981,075	\$1,650,628	\$2,025,381
Sinking Fund Instalments Paid....	\$ 170,000	\$ 181,075	\$ 191,925	\$ 201,825	\$ 211,925
Customers Connected.....	13,530	14,622	15,734	17,508	19,782
Shareholders.....	4,130	3,725	3,715	4,013	4,016
Kilowatt Hours Output.....	474,553,410	531,463,900	577,267,535	594,753,243	649,123,556

(A)—Adjusted for prior year charges.

(B)—Reduction of Minority Interest equity in Surplus.

(C)—Adjustment after addition of Profit on Sale of Securities and deduction of Bond Discount.

(#)—Miscellaneous Revenue includes compressed air gross earnings, pulp and merchandise net profits and earnings from investments, etc.

OFFICERS

President

A. J. NESBITT, Montreal

Vice-President

JAS. B. WOODYATT, Montreal

Vice-President and General Manager

B. V. HARRISON, New Liskeard

Directors

F. O. BLACKWELL.....New York
B. V. HARRISON.....New Liskeard
DAN. McLACHLIN.....Arnprior
A. J. NESBITT.....Montreal
ALFRED H. PARADIS.....Montreal
HON. J. L. RALSTON, K.C., P.C.....Montreal
JOS. SIMARD.....Montreal
P. A. THOMSON.....Montreal
JAS. B. WOODYATT.....Montreal

Secretary

L. C. HASKELL

Treasurer

CHAS. JOHNSTONE

Assistant Secretary

V. J. NIXON

Assistant Treasurer

T. IRVING

Assistant Secretary-Treasurer

H. A. SEYMOUR

Fiscal Agents

NESBITT, THOMSON & COMPANY, LIMITED

Auditors

P. S. ROSS & SONS

Head Office

355 ST. JAMES STREET WEST
MONTREAL
CANADA